

## **Federal Tax Credits Available to Families**

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The listed benefits and credits can be claimed on Form 1040 or 1040A. Some of the benefits and credits are also allowable on Form 1040NR. Refer to the instructions for these forms for additional information.

### **DEPENDENT**

In most cases, a child can be claimed as a dependent in the year in which he or she was born. The child must have a Taxpayer Identification Number (TIN). For children born in the United States, the TIN is generally a Social Security Number (SSN). If the child does not have an SSN and is eligible to receive one, apply for one as soon as possible by filing Form SS-5 with the Social Security Administration. If the child is not eligible for an SSN, you may request an Individual Tax Identification Number from the IRS by completing Form W-7. See *IRS Publication 501, Form SS-5 and Form W-7*

### **CHILD TAX CREDIT**

The Child Tax Credit can reduce your tax. You may be able to take a credit on your tax return for each of your children under age 17. See *IRS Publication 972*

### **ADDITIONAL CHILD TAX CREDIT**

This credit is for individuals who do not benefit from the full amount of the Child Tax Credit. The additional Child Tax Credit may give you a refund even if you do not owe any tax. See *IRS Publication 972 and Form 8812*

### **CHILD AND DEPENDENT CARE CREDIT**

You may be able to claim the credit if you pay someone to care for your child under age 13 so that you can work or look for work. See *IRS Publication 503 and Form 2441 or Schedule 2*

### **EARNED INCOME TAX CREDIT**

The Earned Income Tax Credit (EITC) is a benefit for certain people who work and have earned income or are self-employed. EITC reduces the amount of tax you owe. The EITC may also give you a refund. See *IRS Publication 596 and Schedule EIC*

### **RETIREMENT SAVINGS CONTRIBUTIONS CREDIT**

Beginning in 2002, you may be able to take a tax credit of up to \$1,000 (\$2,000 if married filing jointly) for making eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA) if your income falls within certain guidelines. See *IRS Publication 571 and Form 8880*

### **OTHER INFORMATION**

Some children who have income may need to file their own return, even if you are eligible to claim them as a dependent. The charts in *IRS Publication 501* will help you determine if your child needs to file a tax return. See *IRS Publication 501*

**REQUIRED FILING OF TAX RETURN BY CHILD UNDER AGE 14**

Under certain circumstances, parents can elect to report their minor child's investment income on the parent's return. THEN, THE DEPENDENT DOES NOT HAVE TO FILE A RETURN. See *IRS Publication 501 and Form 8814*

**CHILD DIED IN YEAR OF BIRTH**

If your child was born and died this year and you did not have an SSN for the child, you may attach a copy of the child's birth certificate to the tax return. See *IRS Publication 501*

**ADOPTION CREDIT**

You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. The credit may be more if the expenses are for the adoption of a child with special needs. See *IRS Publication 968 and Form 8839*

**TAX BENEFITS FOR KIDNAPPED CHILDREN**

A child who has been kidnapped may still qualify you for the following tax benefits:

- The exemption deduction for a dependent.
- Head of household or qualifying widow(er) with dependent child filing status.
- The Child Tax Credit.

See *IRS Publication 501*

**COVERDELL EDUCATION SAVINGS ACCOUNT (formerly the Education IRA)**

This savings account can now be used to meet expenses for kindergarten through twelfth grade, tuition for private and parochial schools and expenses for state-approved home schooling, as well as college. Contributions are not deductible; however, qualified distributions are tax-free. Anyone can make contributions in the child's name, but the total can not exceed the stated maximum for any one year. See *IRS Publication 970*

**QUALIFIED TUITION PROGRAMS (formerly the state tuition program)**

This tax benefit includes programs established and maintained by one or more eligible educational institutions. The beneficiary (or another taxpayer claiming the beneficiary as a dependent) may claim the HOPE or Lifetime Learning Credit on qualified expenses paid for with the funds distributed from the Qualified Tuition Program. See *IRS Publication 970*